

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Cambria	County Hillsdale
Fiscal Year End March 31, 2007	Opinion Date November 30, 2007	Date Audit Report Submitted to State December 4, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	Zip 48707
		License Number 1101007803	

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	9
Notes to Financial Statements	10-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Other supporting information:	
General Fund Expenditures by Detailed Account	17-18
Balance Sheet – Permanent Fund	19
Statement of Revenues, Expenditures and Charges in Fund Balances – Permanent Fund	20
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	21
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	22

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

November 30, 2007

To the Township Board
Township of Cambria
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Cambria, Hillsdale County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Cambria's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Cambria, Hillsdale County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Cambria covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$797,703.45 for governmental activities.

Overall revenues were \$302,629.34. Governmental activities had a \$40,859.96 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Cemetery Perpetual Care Fund.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are roads which incurred expenses of \$70,150.14 and Fire Protection which incurred expenses of \$51,250.00.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$12,308.25 in capital assets this year.

The Township has no long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable value.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Kim Todd (517) 357-4198 or the Township Clerk, Carol Rosales (517) 357-4488.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	621 999 12
Investments	102 796 76
Taxes receivable	<u>7 212 05</u>
Total Current Assets	<u>732 007 93</u>
NON-CURRENT ASSETS:	
Capital Assets	74 520 25
Less: Accumulated Depreciation	<u>(8 383 53)</u>
Total Non-current Assets	<u>66 136 72</u>
TOTAL ASSETS	<u>798 144 65</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>441 20</u>
Total Current Liabilities	<u>441 20</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>441 20</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	66 136 72
Reserved	5 744 48
Unrestricted	<u>725 822 25</u>
Total Net Assets	<u>797 703 45</u>
TOTAL LIABILITIES AND NET ASSETS	<u>798 144 65</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	6 190 34	-	(6 190 34)
General government	113 185 51	26 804 56	(86 380 95)
Public safety	51 250 00	-	(51 250 00)
Public works	80 018 86	-	(80 018 86)
Culture and recreation	11 124 67	-	(11 124 67)
Total Governmental Activities	<u>261 769 38</u>	<u>26 804 56</u>	<u>(234 964 82)</u>
General Revenues:			
Property taxes			61 336 18
State revenue sharing			178 215 89
Interest			23 198 48
Miscellaneous			<u>13 074 23</u>
Total General Revenues			<u>275 824 78</u>
Change in net assets			40 859 96
Net assets, beginning of year			<u>756 843 49</u>
Net Assets, End of Year			<u>797 703 45</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	476 653 58	5 744 48	482 398 06
Investments	102 796 76	-	102 796 76
Taxes receivable	7 212 05	-	7 212 05
Due from other funds	<u>139 601 06</u>	<u>-</u>	<u>139 601 06</u>
Total Assets	<u>726 263 45</u>	<u>5 744 48</u>	<u>732 007 93</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>441 20</u>	<u>-</u>	<u>441 20</u>
Total liabilities	<u>441 20</u>	<u>-</u>	<u>441 20</u>
Fund equity:			
Fund balances:			
Reserved	-	5 744 48	5 744 48
Unreserved:			
Undesignated	<u>725 822 25</u>	<u>-</u>	<u>725 822 25</u>
Total fund equity	<u>725 822 25</u>	<u>5 744 48</u>	<u>731 566 73</u>
Total Liabilities and Fund Equity	<u>726 263 45</u>	<u>5 744 48</u>	<u>732 007 93</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	731 566 73
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	74 520 25
Accumulated depreciation	<u>(8 383 53)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>797 703 45</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	61 336 18	-	61 336 18
Licenses and permits	25 00	-	25 00
State revenue sharing	178 215 89	-	178 215 89
Charges for services - PTAF	23 882 36	-	23 882 36
Charges for services – Other	1 297 20	1 600 00	2 897 20
Interest	23 161 27	37 21	23 198 48
Miscellaneous	<u>13 074 23</u>	<u>-</u>	<u>13 074 23</u>
Total revenues	<u>300 992 13</u>	<u>1 637 21</u>	<u>302 629 34</u>
Expenditures:			
Legislative:			
Township Board	6 190 34	-	6 190 34
General government:			
Supervisor	8 445 10	-	8 445 10
Elections	4 158 82	-	4 158 82
Clerk	12 866 46	-	12 866 46
Assessor	21 608 59	-	21 608 59
Board of Review	529 60	-	529 60
Treasurer	22 372 41	-	22 372 41
Building and grounds	6 367 27	-	6 367 27
Cemetery	21 029 54	-	21 029 54
Unallocated	14 879 02	-	14 879 02
Public safety:			
Fire protection	51 250 00	-	51 250 00
Public works:			
Sanitation	3 800 25	-	3 800 25
Highways and streets	70 150 14	-	70 150 14
Street lighting	5 530 92	-	5 530 92
Drains at large	537 55	-	537 55
Culture and recreation:			
Library	7 000 00	-	7 000 00
Parks and recreation	2 330 84	-	2 330 84
Capital outlay	<u>12 308 25</u>	<u>-</u>	<u>12 308 25</u>
Total expenditures	<u>271 355 10</u>	<u>-</u>	<u>271 355 10</u>
Excess of revenues over expenditures	29 637 03	1 637 21	31 274 24
Fund balances, April 1	<u>696 185 22</u>	<u>4 107 27</u>	<u>700 292 49</u>
Fund Balances, March 31	<u><u>725 822 25</u></u>	<u><u>5 744 48</u></u>	<u><u>731 566 73</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 31 274 24

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 722 53)
Capital Outlay	<u>12 308 25</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 40 859 96

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Cambria, Hillsdale County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Cambria. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township's 2006 tax roll millage rate was .8617 mills, and the taxable value was \$71,245,862.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>980 351 52</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	337 223 63
Uninsured and Uncollateralized	<u>650 098 95</u>
Total Deposits	<u>987 322 58</u>

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 3 – Deposits and Investments – (continued)

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name. The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk Categorized				
Federal Home Loan Notes –				
Rated AAA	53 086 55	-	-	53 086 55
Total Risk-Categorized				
Investments	53 086 55	-	-	53 086 55
Nonrisk-Categorized:				
Financial Institution				
Pooled Funds				49 710 21
Total Investments				102 796 76

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	23 000 00	5 630 00	-	28 630 00
Building	32 420 00	-	-	32 420 00
Equipment	6 792 00	6 678 25	-	13 470 25
Total	62 212 00	12 308 25	-	74 520 25
Accumulated Depreciation	(5 661 00)	(2 722 53)	-	(8 383 53)
Net Capital Assets	56 551 00	9 585 72	-	66 136 72

Note 5 – Pension Plan

The Township does not have a pension plan.

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Cambria does not issue building permits.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>139 601 06</u>	Current Tax Collection	<u>139 601 06</u>

Note 10 – Budget Variances

For the fiscal year ended March 31, 2007, the Township had the following budget variances:

<u>Fund and Activity</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Township Board	6 000 00	6 190 34	190 34
Fire protection	42 000 00	51 250 00	9 250 00
Sanitation	3 800 00	3 800 25	25
Street lighting	5 200 00	5 530 92	330 92
Capital outlay	7 500 00	12 308 25	4 808 25

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	56 000 00	56 000 00	61 336 18	5 336 18
Licenses and permits	275 00	275 00	25 00	(250 00)
State revenue sharing	169 000 00	169 000 00	178 215 89	9 215 89
Charges for services – PTAF	15 000 00	15 000 00	23 882 36	8 882 36
Charges for service - Other	1 800 00	1 800 00	1 297 20	(502 80)
Interest	10 007 00	10 007 00	23 161 27	13 154 27
Miscellaneous	5 050 00	5 050 00	13 074 23	8 024 23
Total revenues	<u>257 132 00</u>	<u>257 132 00</u>	<u>300 992 13</u>	<u>43 860 13</u>
Expenditures:				
Legislative:				
Township Board	6 000 00	6 000 00	6 190 34	190 34
General government:				
Supervisor	8 500 00	8 500 00	8 445 10	(54 90)
Elections	5 000 00	5 000 00	4 158 82	(841 18)
Clerk	14 000 00	14 000 00	12 866 46	(1 133 54)
Assessor	24 000 00	24 000 00	21 608 59	(2 391 41)
Board of Review	1 500 00	1 500 00	529 60	(970 40)
Treasurer	23 500 00	23 500 00	22 372 41	(1 127 59)
Building and grounds	8 000 00	8 000 00	6 367 27	(1 632 73)
Cemetery	38 000 00	38 000 00	21 029 54	(16 970 46)
Unallocated	16 000 00	16 000 00	14 879 02	(1 120 98)
Public safety:				
Fire protection	42 000 00	42 000 00	51 250 00	9 250 00
Public works:				
Sanitation	3 800 00	3 800 00	3 800 25	25
Highways and streets	72 000 00	72 000 00	70 150 14	(1 849 86)
Street lighting	5 200 00	5 200 00	5 530 92	330 92
Drains at large	5 000 00	5 000 00	537 55	(4 462 45)
Culture and recreation:				
Library	7 500 00	7 500 00	7 000 00	(500 00)
Parks and recreation	2 500 00	2 500 00	2 330 84	(169 16)
Capital outlay	<u>7 500 00</u>	<u>7 500 00</u>	<u>12 308 25</u>	<u>4 808 25</u>
Total expenditures	<u>290 000 00</u>	<u>290 000 00</u>	<u>271 355 10</u>	<u>(18 644 90)</u>
Excess (deficiency) of revenues over expenditures	(32 868 00)	(32 868 00)	29 637 03	62 505 03
Fund balance, April 1	<u>32 868 00</u>	<u>32 868 00</u>	<u>696 185 22</u>	<u>663 317 22</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>725 822 25</u>	<u>725 822 25</u>

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:	
Wages	4 700 00
Miscellaneous	1 490 34
	<u>6 190 34</u>
Supervisor:	
Salary	6 501 04
Miscellaneous	1 944 06
	<u>8 445 10</u>
Elections:	
Wages	1 561 00
Miscellaneous	2 597 82
	<u>4 158 82</u>
Clerk:	
Salary – Clerk	10 002 87
Wages – Deputy	272 00
Miscellaneous	2 591 59
	<u>12 866 46</u>
Assessor:	
Contracted services	21 529 92
Miscellaneous	78 67
	<u>21 608 59</u>
Board of Review:	
Wages	475 00
Miscellaneous	54 60
	<u>529 60</u>
Treasurer:	
Salary – Treasurer	14 199 72
Wages – Deputy	1 824 00
Tax roll	2 851 74
Miscellaneous	3 496 95
	<u>22 372 41</u>
Building and grounds:	
Utilities	4 127 96
Repairs and maintenance	2 239 31
	<u>6 367 27</u>
Cemetery:	
Contracted services	20 166 63
Repairs and maintenance	862 91
	<u>21 029 54</u>
Unallocated:	
Insurance	6 876 00
Dues	2 714 60
Legal	337 50
Payroll taxes	2 946 02
Miscellaneous	2 004 90
	<u>14 879 02</u>

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Fire protection:	
Contracted services	<u>51 250 00</u>
Sanitation:	
Contracted services	<u>3 800 25</u>
Highways and streets	<u>70 150 14</u>
Street lighting	<u>5 530 92</u>
Drains at large	<u>537 55</u>
Library:	
Contracted services	<u>7 000 00</u>
Parks and recreation:	
Utilities	1 530 84
Contracted services	<u>800 00</u>
	<u>2 330 84</u>
Capital outlay	<u>12 308 25</u>
Total Expenditures	<u>271 355 10</u>

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2007

	Cemetery Perpetual Care
<u>Assets</u>	
Cash in bank	5 744 48
Total Assets	<u>5 744 48</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	-
Fund balances: Reserved	5 744 48
Total Liabilities and Fund Balances	<u>5 744 48</u>

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2007

	<u>Cemetery Perpetual Care</u>
Revenues:	
Cemetery lot sales	1 600 00
Interest	<u>37 21</u>
Total revenues	<u>1 637 21</u>
Expenditures – Cemetery	<u>-</u>
Excess (deficiency) of revenues over expenditures	1 637 21
Fund balance, April 1	<u>4 107 27</u>
Fund Balance, March 31	<u><u>5 744 48</u></u>

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>128 925 35</u>	<u>1 711 540 12</u>	<u>1 342 512 01</u>	<u>497 953 46</u>
<u>Liabilities</u>				
Due to other funds	128 925 35	79 302 82	68 627 11	139 601 06
Due to other units	<u>-</u>	<u>1 632 237 30</u>	<u>1 273 884 90</u>	<u>358 352 40</u>
Total Liabilities	<u>128 925 35</u>	<u>1 711 540 12</u>	<u>1 342 512 01</u>	<u>497 953 46</u>

TOWNSHIP OF CAMBRIA
Hillsdale County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash in bank – beginning of year	<u>128 925 35</u>
Cash receipts:	
Property tax	1 706 816 78
Interest	<u>4 723 34</u>
Total cash receipts	<u>1 711 540 12</u>
Total beginning balance and cash receipts	<u>1 840 465 47</u>
Cash disbursements:	
Township General Fund	68 627 11
Hillsdale County	842 992 06
Hillsdale Intermediate School District	141 839 57
Hillsdale Schools	229 423 30
Reading Schools	53 565 16
Refunds	<u>6 064 81</u>
Total cash disbursements	<u>1 342 512 01</u>
Cash in Bank – End of Year	<u><u>497 953 46</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

November 30, 2007

To the Township Board
Township of Cambria
Hillsdale County, Michigan

We have audited the financial statements of the Township of Cambria for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Cambria in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Cambria
Hillsdale County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

RECEIPT BOOKS

The Township is not using proper receipt books.

We recommend that the Township obtain receipt books that include triplicate copies and a preprinted Township name and receipt number.

To the Township Board
Township of Cambria
Hillsdale County, Michigan

UNIFORM CHART OF ACCOUNTS

The Township is not utilizing the State uniform chart of accounts.

We recommend that the Township use the mandatory uniform chart of accounts in compliance with state law.

BUDGET VARIANCES

For the fiscal year ended March 31, 2007, the Township had the following budget variances:

<u>Fund and Activity</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Township Board	6 000 00	6 190 34	190 34
Fire protection	42 000 00	51 250 00	9 250 00
Sanitation	3 800 00	3 800 25	25
Street lighting	5 200 00	5 530 92	330 92
Capital outlay	7 500 00	12 308 25	4 808 25

We recommend that the Township Board amend the budgets as necessary to comply with State law.

DISBURSEMENT OF PROPERTY TAX COLLECTIONS

Property tax collections were not paid out in a timely manner.

We recommend that all collections of property taxes be paid out in compliance with State law.

PAID INVOICES

Paid invoices did not exist to support several disbursements of Township funds.

We recommend that a paid invoice be required and retained to support every Township disbursement.

GENERAL LEDGER

The Township general ledger is maintained by the Township Treasurer.

We recommend that the Township general ledger be maintained by the Township Clerk.

CEMETERY REVENUE

Cemetery revenue is collected and receipted by the Township Clerk.

We recommend that the cemetery revenue be collected and receipted by the Township Treasurer.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

To the Township Board
Township of Cambria
Hillsdale County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants